

House Committee on Small Business

Field Hearing

Flooded Out: Vanishing Environmental Reviews and the SBA's Disaster Loan Program

Rep. Brad Schneider Opening Remarks (as prepared for delivery)

Good morning. The Committee will come to order.

I want to thank everyone for joining us here this morning.

I would like to first thank House Small Business Committee and Chairwoman Nydia Velázquez for allowing us to host today's hearing. Thank you also for the Committee staff, Melissa Jung and Naveen Parmar who are here today to help facilitate today's event.

I also would like to express my thanks to the Village of Wheeling for graciously providing the location for today's hearing, and for the local elected officials who have joined us here today.

Finally I want to take the prerogative of thanking my team. It is impossible to overstate the amount of hard work necessary to prepare for an event like this, everything from arranging for witnesses, to logistics, and to making sure people know about this.

It looks like they certainly got the word out.

For those in attendance today, I would like to share some background on the proceedings. This is a formal field hearing of the House Committee on Small Business. Due to this format, there is not an opportunity for questions or public comments from the audience. I thank you for your attendance and interest in this issue. We also have comment forms in the back of the room for everyone to share your own thoughts and concerns about the issues we discuss today.

Field hearings play an important role in the work of our Committee. Travelling to Washington, DC and testifying before Congress presents numerous barriers in cost and time that can prevent some important voices from being heard. Field hearings serve to bring the work of the Committee closer to our districts, and offer our communities the opportunity to share their views on the issues that matter.

One of those important local issues is the problem of flooding, and the impact on our communities, people, property, local governments, and small businesses. As we will discuss today, the threat of floods has been compounded for our communities here in Illinois's Tenth District by the massive Foxconn development just over the state line in Wisconsin.

This project and its still unfulfilled promises of job creation were pushed through with great fanfare, including participation by President Trump in the groundbreaking. But missing was any serious environmental review of the consequences of this project. The Administration of former

Wisconsin Governor Scott Walker dispensed with extremely critical environmental review requirements in their haste to please foreign investors.

Foxconn is a local case, but it is emblematic of a national problem of vanishing environmental enforcement, exacerbating the damaging impacts of climate change. We need to address this deficit, not just to protect affected communities, but also to ensure the longevity of critical programs, such as the Small Business Administration's disaster loan program, that are designed to help the people who own, work at and are served by the local business.

Our communities along the Des Plaines and Fox River watersheds have long faced flooding issues during significant rain events. Coupled with the effects of global climate change, which is increasing the frequency and intensity of extreme weather events, this threat is growing. Since 2013, Lake County has experienced two "100-year floods," and 6 of our district's 10 largest storm events on record have occurred since 1994.

In July 2017, storms and flooding damaged more than 3,200 homes, resulting in a state of emergency declaration for the region and causing millions of dollars in damage to the community. Today we'll hear from a small business owner who dealt personally with this flooding.

Though the Federal Emergency Management Agency (FEMA) declined to declare a federal emergency for the region, **the Small Business Administration did** declare an emergency, making local businesses eligible for disaster loans.

For small businesses, in the aftermath of a disaster, access to affordable credit can make the difference between remaining in business or closing their doors and putting hardworking Americans out of work. In fact, FEMA estimates that between 40 and 60 percent of businesses impacted by natural disasters *never fully recover*.

That is why one of the foremost priorities of this Committee is to ensure the Small Business Administration's Disaster Loan Program – which provides direct loans to help businesses, homeowners, and renters rebuild following a federally-declared or certified disaster - is functioning efficiently and effectively—and that it is prepared to meet the challenges of the future, and in particular climate change.

A key part of strengthening the foundation the program is making sure new development does not make flooding worse. Yet that is exactly the situation our communities face after important environmental considerations were cast aside in the Foxconn development.

Environmental reviews are necessary to understand the potential impacts of a development, and they give the public and government officials the ability to make informed decisions prior to construction and the opportunity to mitigate adverse impacts.

Unfortunately, environmental reviews are too often skipped for expediency or as leverage, and that has the potential to exacerbate flooding in places like the Des Plaines River watershed.

When corners are cut on environmental reviews, our local communities pay the price. It puts a strain on government programs and resources. And small businesses and homeowners that need vital assistance in the days after a disaster might not be able to access policies or programs enacted for their benefit.

This is the case we are facing here in Lake County.

Foxconn Technology Group, a Taiwanese electronics manufacturer, worked with former Wisconsin Governor Scott Walker's administration on a proposed manufacturing development outside Mt. Pleasant, Wisconsin in the state's southeast corner. In order to entice the company to invest in the state—and based on the promise of up to 13,000 direct jobs in the region—Gov. Walker and the Wisconsin state legislature passed the largest incentive package for a foreign company in U.S. history, including billions of dollars in public investment through tax breaks and government incentives.

But the incentives also included waiving important environmental requirements related to water management and flooding.

First, by refusing to consider the 3.3 square-mile Electronics and Information Technology Manufacturing (EITM) zone and associated development within the Des Plaines River watershed a “major action,” the state effectively waived the requirement for a state environmental impact statement.

Second, the Wisconsin legislature exempted the development from standard wetland permitting requirements, allowing Foxconn to discharge fill material into nonfederal wetlands. This affects, and raises serious concerns about the area's ability to sufficiently absorb rainfall. Stormwater that are not retained in local wetlands naturally run downstream and thus threatens to cause increased flooding here in Illinois.

As well, the state waived certifications on water quality.

Several downstream communities in Lake County, Illinois responded to the development by passing resolutions of disapproval on the development. The Lake County Board passed its own resolution of disapproval, and the Illinois State Senate adopted a resolution urging Wisconsin to give more rigorous consideration to the environmental impact the Foxconn development would have.

Personally, I wrote a letter to the new Wisconsin Gov. Tony Evers, joined by my colleagues Sens. Dick Durbin and Tammy Duckworth, and Congresswoman Lauren Underwood, urging the governor to submit the development to thorough environmental review—especially aspects that threaten stormwater management.

In response to local concerns, the Lake County Stormwater Management Commission contracted an engineering report to evaluate the potential downstream impact the development could have on local communities. The report raised significant concerns about Foxconn's treatment of wetlands and concluded the just the Phase I development would result in a stormwater and floodplain storage deficit of 30 million gallons.

This means that the area around Foxconn will be lessable to help absorb a deluge like we saw in 2017, with rainfall running downstream rather than being contained locally. We will hear directly from the Commission on that report later in the hearing, and I thank Lake County for its leadership on this issue.

By exempting the Foxconn development from critical environmental review requirements, Wisconsin increased the likelihood of flooding along the Des Plaines river and passed the consequences downstream to our communities.

Wisconsin taxpayers may be paying the price for the Walker administration's exorbitant economic incentives, but it is Illinois residents and small businesses who will be underwater – literally - due to our neighboring state's irresponsible decision to ignore environmental reviews. And Wisconsin's missteps will have a direct effect on federal resources – like the SBA disaster loan program – meant to help our community.

I look forward to exploring the importance of environmental reviews with our panelists today and the consequences of waiving them to expedite development.

On a final note, we invited the Secretary of the Wisconsin Department of Natural Resources Preston Cole as well as Dr. Louis Woo, the chief negotiator for Foxconn, to testify at this hearing. Both declined.

Again, I want to thank our witnesses for being here today. I'll just take a moment to explain how this works. I'll introduce each of our witnesses, who will each be given five minutes to make an opening statement that summarizes their written testimony. Then we will have time for questions that I hope will illuminate the many concerns I've mentioned.

I would now like to introduce our witnesses...

Our first witness is Mr. Mike Warner, the Executive Director of the Lake County Stormwater Management Commission, where he has worked since 1994. He started there as chief engineer for 12 years and has served as Executive Director for 13 years. He has overseen several significant flooding events and has helped coordinate the county's response. Welcome, Mr. Warner.

Our second witness is Mr. Howard Learner, the Executive Director of the Environmental Law and Policy Center. Howard founded ELPC in 1993 and the organization has served as the preeminent Great Lakes environmental advocacy group. Prior to founding ELPC, he served as General Counsel to Business and Professional People for the Public Interest and practiced civil rights law focused on housing and economic issues. ELPC has seven offices throughout the Midwest, as well as an office in D.C., and advocates on a wide array of critical environmental issues. Welcome, Mr. Learner.

Our final witness is John Durning. John is the owner of Pizzeria Deville, a local favorite in Libertyville. John opened his pizzeria in 2014 after more than a dozen years working at Wintrust as a Managing Director focused on commercial real estate. Since opening his small business, John has experienced several major flooding events that caused thousands of dollars in damage to equipment. Welcome, Mr. Durning.